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East Side Story: Lessons from Japan's business leaders

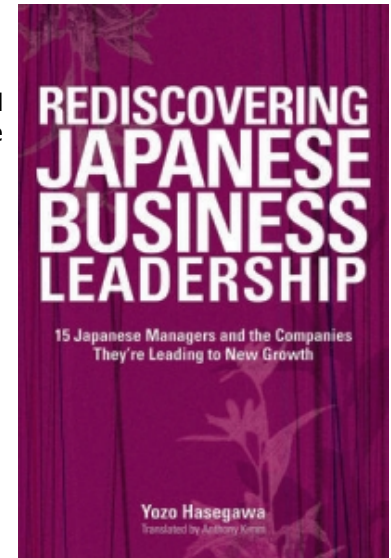
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Like a phoenix rising from the ashes, Japan's economic transformation following World War II has been nothing short of miraculous. However, a confluence of factors in the 1970s to 1980s threw the world's second largest economy into a flux. Challenges to the economy have continued ever since; the latest being competition from the region's new economic powerhouses.

Nevertheless, Japan is home to some of the world's most recognisable brands and the country is still widely renowned for its technological wizardry – traits that are highly admired by those very economies that seem to threaten Japan's economic clout. But even as the country's large automotive and electronics manufacturers are hemmed in by shrinking demand and stiffer global competition, the Japanese corporate spirit is not about to bow down to such challenges.

In fact, as *Rediscovering Japanese Business Leadership*, written by former Nikkei journalist Yozo Hasegawa, seeks to flesh out, "those very same conditions have also allowed the rise of a new group of business leaders and companies, hailing from broader segments of the economy, including entertainment, apparel, and food". In contradistinction to the spirit guiding the *salariman* (salaried men) and OLs (office ladies) of post-WWII Japan, the Japanese companies of today are rejuvenated by a new aim: "To contribute more to the world than sophisticated but faceless mechanical devices, seeking instead to capitalise on the growing universal appeal for different lifestyle aesthetics and values".



The author proposed three main reasons why Japanese companies were able to bounce back from the recent financial crisis. First, they scaled back their operations and cut overcapacity, redundant personnel and reduce other costs in a short time. Second, they penetrated, if not spearheaded, new markets such as environmentally-friendly business, family game systems and fleece textile products. Finally, they reoriented their activities toward a global market rather than sticking to a domestic market. At the same time, they restructured their business from manufacturing-oriented to service-oriented.

In *Rediscovering*, Hasegawa, who is now a full-time professor at Teikyo University, detailed some of the key strategies, philosophies and principles at work among the leaders of Japan's 15 "most promising and enduring companies". They include leaders of global gaming giant *Nintendo*, trendy apparel company *Fast Retailing (Uniqlo)*, consumer lifestyle companies *Seven & i Holdings*, *Secom Co.*, and *Yamato Holdings*, as well as traditional Japanese companies such as *Kirin Holdings*, *Shiseido*, *Kikkoman* and *Takeda Corporation*. Leading global manufacturers *Toyota Motor Corporation*, *Panasonic Corporation* and *Canon Inc* are also included.

Customised needs

Besides being known for the ubiquitous presence of vending machines that sell anything from drinks to even flowers, Japan is also home to an unusually high concentration of convenience stores that are open round the clock. At the end of 2008, there were some 40,000 such stores. Of these, about 30% or 12,000 stores are 7-Eleven, a brand first introduced to Japan in 1973, as a subsidiary of the mega supermarket chain *Ito-Yokado* (now an equal constituent with 7-Eleven in *Seven & i Holdings*). The next largest competitor owns only half that number of convenience stores.

The concept of a convenience store, in itself, was no guarantee of success. When Toshifumi Suzuki, now Chairman and CEO of *Seven & i Holdings*, first visited a 7-Eleven store in the United States, he was not impressed. In fact, he and his colleagues even questioned whether such a store could succeed in Japan. One of the areas that he found most unappealing was the food section. Suzuki was quoted as saying, "Whenever I looked at a frozen hamburger, I have to say it seemed very unappetizing."

Suzuki knew that some kind of modification had to be made to ensure that such stores could cater to local tastes, literally and figuratively. His mantra was: "Don't simply imitate." Thus, the items that line the shelves of Japan's 7-Eleven stores today include rice balls, bento sets (boxed lunches), and ready-made fresh, unfrozen meals. Hasegawa noted that for Suzuki, "Treating all customers equally and as always right, is not as effective a means for earning their trust as meeting their needs as individuals."

It is for this reason that 7-Eleven stores in Japan "paved the way in offering a wide variety of products and services that people needed at all hours of the day and night, such as 24-hour ATM banking, postal and parcel services, and transportation and entertainment ticketing." Although other convenience store chains have followed suit, Hasegawa believes 7-Eleven's ability to attract customers is "palpably stronger" because they have always been sensitive to consumer demands and needs.

Not only did they set up ATMs as satellite services for existing banks, but they also entered into the banking industry in full force in 2001. *Seven & i Holdings' IY Bank* (renamed Seven Bank in October 2005) as Seven offered lower fees and longer operating hours than existing banks, on top of an expansive network of ATMs that dwarfed the numbers of other banks.

"This level of commitment to serving changing customer needs is borne out by a higher per capita amount spent at 7-Elevens than at competing chains; a product of, as Suzuki intended, greater consumer trust. This kind of trust breeds brand loyalty and strengthens brand equity," Hasegawa concluded.

Gaming whizz

When Nintendo developed the runaway hit, the *Wii* gaming platform, the gaming giant broke away from the standard game controller that it had been known for – the *plus* (which controls movement: up, down, left, right), as well as the *A* and *B* buttons. Because Nintendo owns the patent on the *plus* button, players using competitor consoles, such as the Sony PlayStation, have had to make do with lesser directional controls.

It was a pretty big deal for Nintendo to break away from their *plus* button, and onto the *Wii*, as well as the DS (a handheld console). But it was a move that earned them an even greater following and a new generation of customers. The *Wii* harnesses a new infrared remote control technology while the DS features a screen-direct touch stylus.

Hasegawa wrote, "It probably wasn't an easy choice to do away with the iconic *plus* and *A*, *B* buttons standard, because it presented a valuable technological and cultural property." However, the philosophy that guided Nintendo's decision was simply that of making games more accessible to people: "The simpler the rules to a game are, the easier it is to play."

The end result of the move is Nintendo's heightened appeal across a wider range of ages for men and women, boys and girls. It is by no coincidence that *Wii* advertisements feature families standing in their living rooms and playing together, while DS commercials include elderly celebrities who don't usually fit into the image of the computer game-savvy. Hasegawa calls Nintendo president Satoru Iwata a "revolutionary whiz kid" who has changed the culture of play.

As with all other chapters in the book, Hasegawa recaps the principal idea of the company leader succinctly. In Nintendo's case: always strive to create new markets, seek to innovate and create things you don't readily see around you, and proceed without fear and go make the best gaming experience you can.

Back to the basics


Each story within *Rediscovering* is presented lucidly, perhaps due to Hasegawa's training as a journalist. Every chapter starts by tracing a company's roots and the rise of its current leadership. The nifty summaries at the end of each chapter give emphasis to the core beliefs that guided those leaders to success.


The book also seems especially relevant at this time, as the notion of an Asian-centric world economy gains traction. Following the global financial crisis of late, Hasegawa noted that many Japanese companies are seeing a need to "return to home-grown business values" instead of trying to mimic "Western business models" to compete on an equal footing in the global economy.

What might traditional Japanese business values entail? The book provides a list that includes (a) a predisposition to long-term vision, (b) uncompromising devotion to quality, (c) close attention to detail, (d) management continuity, and of course, (e) the famous *kaizen* – the need to improve constantly.

If these companies are able to maximise their technological and intellectual assets while adapting traditional business values into global models of success, "then I see no reason any of these companies should not be able to thrive in the future, if not lead the way through it," Hasegawa concluded.

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